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State Remains on Recovery Course in New Year

The Pennsylvania economy started the new year in pretty much the same manner it ended 1983 — with moderate increases in most indicators.

A notable exception was the dramatic decline in the jobless rate, which fell from a seasonally adjusted 10.4 percent in December to 8.3 percent in January. However, the decline in the number of job seekers was not matched by an equal increase in total employment. Instead, much of the decline in unemployment was due to residents leaving the work force.

January's 1.3 percent decline in the seasonally adjusted civilian labor force is probably largely due to secondary wage earners leaving the labor force as their spouses return to jobs after having been laid off and to long-time job seekers becoming too discouraged to continue to look for employment. But the longer term slowing in labor-force growth over the past couple years is due to broader demographic changes, such as the aging of the population and an increasing rate of retirements.

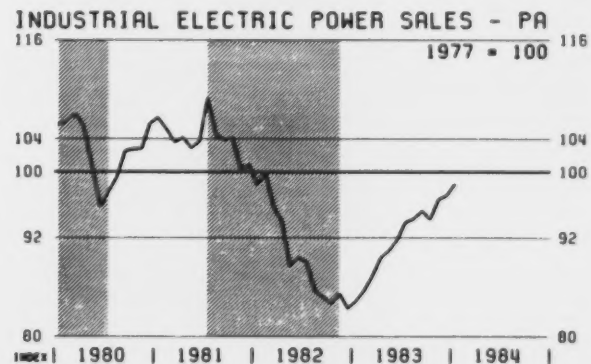
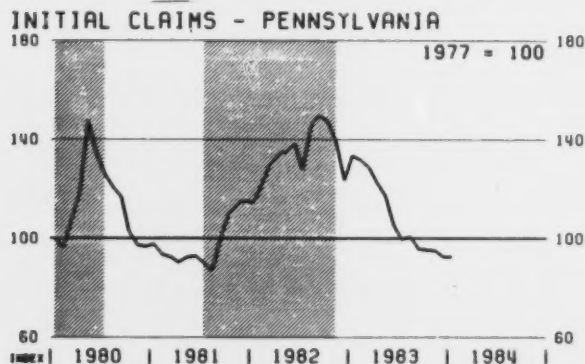
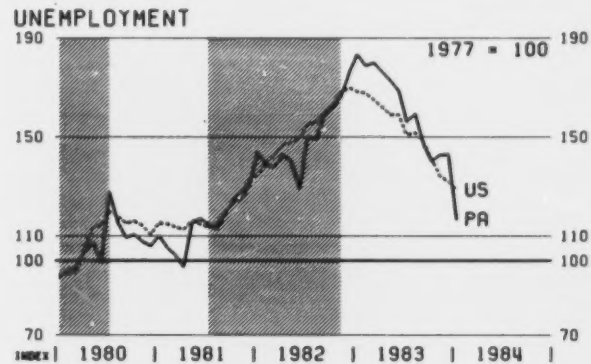
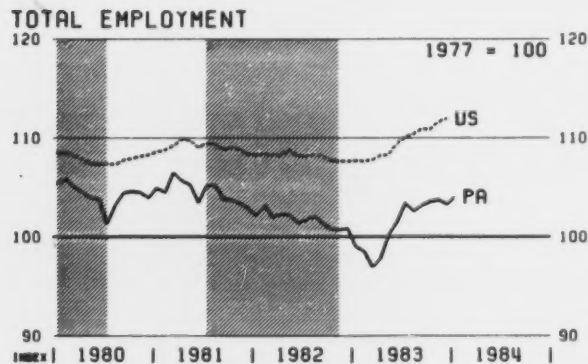
Nevertheless, the labor market did improve in

January. The number of employed Pennsylvanians fell as is typical for that time of year, but the decline was not as steep as expected. Therefore, the seasonally adjusted level of employment in Pennsylvania was the highest it has been since August 1981.

Payroll employment in all nonfarm industries was fairly steady in January, with only the usual seasonal decline. Less than seasonal declines took place in durable goods manufactures, construction industries, and retail trade, and a gain in employment was seen in the finance, insurance, and real estate industry group. On the other hand, steeper-than-expected declines took place in transportation industries and miscellaneous services.

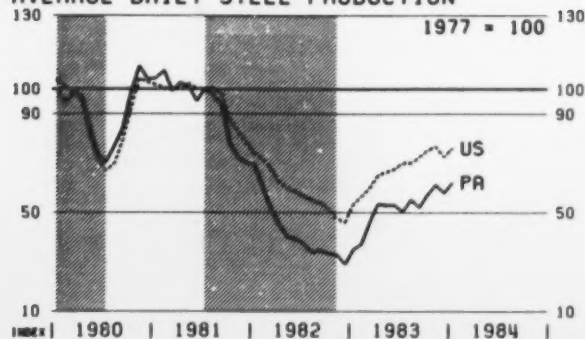
Other indicators suggest that industrial output in the state rose in January. The seasonally adjusted level of industrial electric power sales climbed 1.4 percent. Short-run increases in this measure typically reflect increases in industrial production. January's rise in sales was slightly more than the average monthly rise of 1.3 percent in 1983.

Electric power sales remained 9.6 percent below their



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AVERAGE DAILY STEEL PRODUCTION



pre-recession level in the state overall but had regained previous highs in many areas. In the Pittsburgh region, on the other hand, because of the closings of many steel plants, sales of the Duquesne Light Company, which serves most of Allegheny and Beaver Counties,

remained more than 40 percent below the pre-recession level.

At the same time, though, steel has contributed to much of the recent increases in power sales — steel production has been on the rise. January's 7.1 percent increase in the seasonally adjusted average daily level of steel produced in the state compares to an average monthly rise of 6.4 percent in 1983.

The state's production of steel was the highest it had been in two years and made up 16.8 percent of total national production. The state's share of production has been about the same for the last three months, after rising from a low of 12.1 percent in August 1982. But it remained well below the more than 20 percent share prevailing before the recession. The seasonally adjusted level of steel production in the state in January was only 62 percent of the 1977 average.

Despite the gains in electric power sales and steel production, the state's economy has been recovering at a

Economic Activity in Pennsylvania	Seasonally Adjusted Indexes (1977 = 100)				
	1983 Dec.	1984 Jan.	1983 Jan.	1983 Dec.	1984 Jan.
Pennsylvania Industries					
All nonagricultural industries					
No. of wage and salaried jobs (thous.) ¹	4,599.	4,494.	4,410.	100.3*	98.4
Nonmanufacturing					
No. of wage and salaried jobs (thous.)	3,481.	3,386.	3,329.	107.1	107.3
Manufacturing					
No. of wage and salaried jobs (thous.)	1,115.	1,107.	1,078.	83.4	83.5
Ave. wkly. hrs. worked by prod. workers	40.2	39.6	38.3	100.4	100.7
Total wkly. person-hours worked (mils.)	30.9	30.1	27.8	79.7	79.3
Total wkly. payroll (mil. dols.)	285.7*	279.3	246.0	124.4*	125.6
Steel production (thous. tons)	1,166.	1,339.	742.	58.	62.
Industrial electric power sales (mil. kwh)	3,476.	3,655.	3,127.	97.	98.
Mining					
Anthracite coal (thous. net tons)	368.	339.	253.	80.	80.
Bituminous coal (thous. net tons)	5,308.	n.a.	5,615.†	74.	n.a.
Construction contracts awarded (mil. dols.)					
Total	455.5	367.5	207.4*	161.	162.
Residential building	167.2	97.8	92.4*	153.	134.
Other building	165.7	172.2	79.8*	167.	200.
Nonbuilding (utilities and public works)	122.6	97.4	35.2*	168.	162.
Employment of Pennsylvania Residents					
Employed, no. of persons (thous.)	4,947.	4,841.	4,612.	103.3	104.0
Unemployed					
No. of persons (thous.)	562.	542.	806.	143.0	116.6
Rate (percentage of labor force)	10.2	10.1	14.9		
Rate, seasonally adjusted	10.4	8.3	13.6		
Civilian labor force, no. of persons (thous.)	5,508.	5,383.	5,418.	106.3	105.0
Initial claims for unemployment benefits	181,414.	192,531.	265,627.	92.5	92.7
Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1983 Dec.	1984 Jan.	1983 Jan.	Month Ago	Year Ago
U.S. city average	303.5	305.2	293.1	+0.6	+4.1
Philadelphia	291.8	294.4	282.1	+0.9	+4.4
Pittsburgh	314.3	n.a.	302.1†	n.a.	+4.0
Northeast PA	n.a.	291.0	278.9	n.a.	+4.3

NOTES: DATA ON EMPLOYMENT HAVE BEEN REVISED TO FIRST QUARTER 1983 BENCHMARKS AND ARE NOT COMPARABLE TO FIGURES PUBLISHED IN PRIOR ISSUES.

¹ Total includes workers on strike. * = figure revised † = figure for Dec. 1982 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	Coincident	Leading	Coincident
June	101.5	86.7	+1.0	+1.2
July	101.7	87.7	+0.2	+1.2
August	101.8	87.4	+0.1	-0.3
September	102.6	87.8	+0.8	+0.5
October	102.4	88.6	-0.2	+0.9
November	102.7	89.3	+0.3	+0.8
December	103.0	89.3	+0.3	0.0
January	102.6	89.5	-0.4	+0.2

very modest pace. This was evident in January's value for Pennsylvania's composite index of coincidental indicators, which rose a slight 0.2 percent.

The index of leading indicators, which declined 0.4 percent in January, shows a further moderation in the pace of the recovery. The decline is not a harbinger of a change in the direction of the general economic trend, but rather a typical wobble in these indicators during the latter phase of a recovery period.

Two of the three components of the leading index contributed to the drop. These components are new claims for unemployment benefits and the value of contract construction awards for residential buildings.

The third component, average weekly hours worked by production workers in the state's factories, declined 0.6 of an hour, but after adjustment for seasonal variation, it was 0.1 of an hour higher than in December 1983.

The increase in initial claims for unemployment benefits, which negatively influences the leading index, was also small — only 0.2 percent more than the usual seasonal increase.

Nevertheless, Pennsylvania continued to have one of the highest insured unemployment rates among the states. In the week ending January 28, 5.7 percent of Pennsylvanians covered under the state's unemployment insurance program were collecting benefits. This compares to a 3.7 percent rate nationwide, but was

lower than Alaska (9.0), West Virginia (6.6), Washington (6.1), Montana (6.0), Oregon (6.0), and Idaho (5.9). These rates vary from week to week; in January, the state's rate varied from 5.4 percent to 6.0 percent.

The value of contract construction awards for residential buildings contributed the largest negative influence on the leading index in January. This measure fell significantly more than its usual seasonal amount. However, it is a very volatile series and has been trending upward since the beginning of 1982.

Overall construction contracts held their level of a month earlier after adjustment for seasonal variation. The value of awards for nonresidential construction rose in the state in January, and the value of awards for nonbuilding structures fell only slightly more than expected for the beginning of the year.

In sum, then, the decline in the state's index of leading indicators is more a statistical fluke than a danger signal. The state's economy will continue to improve at a moderate pace in the next few months.

— Norma I. Gavin

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Strong Income Growth in Third Quarter '83

Gains in All Major Sectors

The rate of personal-income growth in Pennsylvania slowed somewhat in the third quarter from second quarter's rebound but continued to climb significantly from the year-ago level.

Personal income is current income received by persons from all sources, including transfer payments from government and business but excluding transfer payments from other sources.

Third-quarter's 1.7 percent increase in personal income followed a 2.4 percent increase in the second quarter and a 0.1 percent decline in the first quarter. The over-the-year increase of 5.3 percent in the third quarter was the largest rise since second quarter 1982.

Net labor and proprietor income increased 2.3 percent from a quarter earlier while dividends, interest, and rent

increased 3 percent. Transfer payments, which make up better than 18 percent of total personal income in the state, fell 1.5 percent in the third quarter. The decline was due to a 23.5 percent drop in unemployment insurance (UI) benefits; fewer new claims were filed and many long-term unemployed workers exhausted their benefits. Other transfer payments increased 1.1 percent.

Pennsylvania's over-the-quarter rise in total personal income matched that of the nation, but the state's over-the-year increase was considerably short of the 6.6 percent increase nationally.

Net labor and proprietor income in the nation was up a lower 2 percent in the third quarter, and dividends, interest, and rent were up a lower 2.6 percent.

Transfer payments were down a smaller 0.7 percent, although UI benefits were down about the same

percentage and other transfer payments were up the same percentage as in the state. The smaller drop was evident in the nation because UI benefits compose only about 6 percent of all transfer payments in the nation compared to 8 percent in the state. Total transfer payments also make up a smaller 14.6 percent of total personal income in the nation.

Among the industry groups with the greatest percentage increases in income in the third quarter were mining, construction, and durable goods manufactures — the industries hardest hit during the recession. Agriculture and the finance, insurance, and real estate

group were among the worst performers in terms of income growth in the third quarter but among the best performers over the year in both the nation and the state.

Personal income from every major private sector industry group in the state was higher in third quarter 1983 than in the same quarter a year earlier. Nationally, only the mining industry group generated less income last year than a year earlier.

— Norma I. Gavin

Personal Income by Major Source, Seasonally Adjusted at Annual Rates — Pennsylvania and the United States

	Pennsylvania			United States		
	1983 III (mil. dols.)	Percentage Change Quarter Ago	Year Ago	1983 III (mil. dols.)	Percentage Change Quarter Ago	Year Ago
Labor and proprietor income by place of work	95,095	2.2	5.9	1,979,666	2.0	7.9
By type						
Wage and salary disbursements	79,961	2.3	4.7	1,675,862	2.1	6.5
Other labor income	9,590	3.5	9.1	176,245	3.7	11.5
Proprietors' income	5,544	-0.5	20.5	127,559	-1.6	23.3
By industry						
Farm	717	-9.7	12.4	33,340	-9.1	18.2
Nonfarm	94,378	2.3	5.9	1,946,326	2.2	7.7
Private	81,201	2.3	5.7	1,612,656	2.3	7.8
Ag. serv., for., fish., and other	241	3.9	15.3	8,641	4.5	15.0
Mining	1,530	3.9	4.2	33,779	3.0	-6.6
Construction	4,508	3.4	4.5	108,559	4.1	12.9
Manufacturing	28,592	3.4	4.2	478,158	3.1	6.9
Nondurable goods	10,341	2.6	6.9	176,774	1.7	7.2
Durable goods	18,251	3.8	2.7	301,384	4.0	6.8
Transportation	7,069	0.2	0.2	149,505	-0.6	3.0
Wholesale trade	5,724	1.8	3.5	134,789	-2.7	6.1
Retail trade	8,672	2.8	8.5	187,774	2.1	7.9
Finance, insurance, and real estate	5,467	-0.4	11.3	129,276	0.1	12.7
Services	19,398	1.9	8.6	382,175	2.7	9.9
Government	13,177	2.2	6.6	333,670	1.4	7.2
Federal, civilian	3,402	0.8	6.6	75,500	0.5	6.2
Federal, military	481	-0.4	-2.0	33,671	0.0	4.9
State and local	9,294	2.9	7.1	224,499	1.9	7.9
Total personal income	137,614	1.7	5.3	2,755,061	1.7	6.6
Nonfarm personal income	136,898	1.7	5.2	2,721,722	1.8	6.5
Net labor and proprietor income ¹	88,418	2.3	6.0	1,859,094	2.0	7.9
Dividends, interest, and rent	24,024	3.0	2.3	493,395	2.6	2.3
Transfer payments	25,172	-1.5	5.5	402,572	-0.7	5.8

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, October 1983.

¹ Total earnings by place of work less personal contributions for social insurance and plus an adjustment for residence.

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